

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 267 - SB 263**

February 28, 2017

**SUMMARY OF BILL:** Authorizes a chartering authority, beginning in the 2018-2019 academic year, to charge a fee of \$2,500 per charter school application received. Requires chartering authorities to adopt national authorizing standards for use in reviewing charter school applications. Authorizes local education agencies (LEAs) to receive an annual authorizer fee up to three percent of the charter school's per student funding if the LEA is the charter school's authorizer. Requires such fee to be used to pay expenses related to performing authorizing obligations and responsibilities and any unused portion to be returned to the charter schools.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – \$8,162,600**

Assumptions Relative to Application Fees:

- No change in Basic Education Program (BEP) funding formula.
- The Department of Education (DOE) has indicated that it was notified of 39 schools that intend to file charter applications for the 2017 academic year. This number is assumed to remain constant under current law and under the provisions of this bill.
- Currently, LEAs receives \$500 for a charter school application fee.
- The bill increases the charter application fee by \$2,000.
- The recurring increase in revenue to LEAs from the increase in the application fee is \$78,000 (\$2,000 x 39).

Assumptions Relative to Authorizer Fees from Current Charter Schools:

- Local boards of education will receive an authorizer fee through the tiered structure set forth in Section 9 of the bill. This is calculated using a three percent of the charter school's state and local BEP funding allocated under Tenn. Code Annotated § 49-13-112.
- Shelby County Schools oversees 45 charter schools with 13,172 students and has an average Per Pupil Expenditure (PPE) of \$9,003. As a result, Shelby County Schools will receive a recurring increase in local revenue estimated to be \$3,557,625 (13,172 x \$9,003 x 3.0%).

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- Metro Nashville Public Schools (MNPS) oversees 28 charter schools with 9,718 students and an average PPE of \$9,992. As a result, MNPS will receive a recurring increase in local revenue estimated to be \$2,913,068 ( $9,718 \times \$9,992 \times 3.0\%$ ).
- Knox County Schools oversees one charter school with 286 students and an average PPE of \$7,761. As a result, Knox County Schools will receive a recurring increase in local revenue estimated to be \$66,589 ( $286 \times \$7,761 \times 3.0\%$ ).
- Hamilton County Schools oversees four charter schools with 1,081 students and has an average PPE of \$8,242. As a result, Hamilton County Schools will receive a recurring increase in local revenue estimated to be \$267,288 ( $1,081 \times \$8,242 \times 3.0\%$ ).
- The total recurring increase in local government revenue from the three percent authorizer fee paid by these specified charter schools is estimated to be \$6,804,570 ( $\$3,557,625 + \$2,913,068 + \$66,589 + \$267,288$ ).
- It is anticipated that this funding will be utilized for funding current LEA obligations and that any unused portions returned to charter schools would be not significant.

**Assumptions Relative to Authorizer Fees from New Charter Schools and Total Impact:**

- Any new charter schools are assumed to occur in the absence of this bill and under the provisions of the bill. Therefore, this bill is not anticipated to result in any change to the number of authorized charter schools.
- Assuming at least 25 percent (or 10) of the 39 charter schools that have indicated they intend to file applications actually become charter schools, local boards of education will receive additional revenue from charter authorizer fees estimated to be approximately \$1,280,000 in FY18-19. This figure is based on the PPE in the LEAs where the charter operators plan to file new applications as well as the average students per school in those LEAs.
- It is assumed that a similar amount of additional funding from authorizer fees will be paid to local boards of education from new charter schools in subsequent years as a result of this bill.
- The total recurring increase in local revenue as a result of this bill is estimated to be \$8,162,570 ( $\$78,000 + \$6,804,570 + \$1,280,000$ ).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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